

VZCZCXRO0849  
PP RUEHMA RUEHPA  
DE RUEHUJA #0939 1521045  
ZNR UUUUU ZZH  
P 011045Z JUN 09 ZDK  
FM AMEMBASSY ABUJA  
TO RUEHC/SECSTATE WASHDC PRIORITY 6141  
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 1400  
RUEHZK/ECOWAS COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUEHGB/AMEMBASSY BAGHDAD 0329

UNCLAS ABUJA 000939

SIPDIS

DEPT PASS TO USTR-AGAMA  
TREASURY FOR PETERS AND IERONIMO  
DOC FOR 3317/ITA/OA/KBURRESS AND  
3130/USFC/OIO/ANESA/DHARRIS  
DOE FOR GPERSON  
BAGHDAD FOR MCCULLOUGH

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [EINV](#) [ENRG](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: EXCESS CRUDE ACCOUNT BEING DRAWN DOWN TO CUSHION  
THE EFFECT OF THE GLOBAL CRISIS

REF: A. ABUJA 455

[1](#)B. 08 ABUJA 2437

[1](#)C. 08 ABUJA 1191

[1](#)D. 08 ABUJA 2387

[1](#)E. 08 LAGOS 520

[1](#)F. 08 LAGOS 426

[1](#)1. (U) During a May 26 interactive session with the House of Representatives Committee on Legislative Compliance, Minister of Finance Mansur Muhtar stated that the Excess Crude Account (ECA) could be depleted by the end of 2010 if the three tiers of government continue to fall back on the ECA to augment dwindling revenue due to the global economic crisis. Commodity prices, especially oil, have fallen drastically from their July 2008 highs, and have resulted in a sharp decrease in revenues in an economy where oil accounts for over ninety percent of foreign exchange revenues. (Comment: Press reports put the ECA at about \$15 billion. End Comment)

IMF, World Bank Appear Sanguine  
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[1](#)2. (U) Muhtar's statement corroborates statements released earlier by the World Bank and the International Monetary Fund (IMF) on the impact of the global crisis on Nigeria at the end of the recent World Bank - IMF Spring Meetings held in April in Washington, D.C. Both institutions stated that Nigeria has been able to withstand the negative impact of falling commodity prices resulting from the global crisis because of economic reforms implemented from 2003 to 2007 which resulted in an increase in foreign reserves and the savings in the ECA. Both institutions asserted that ECA funds provide an opportunity for Nigeria to augment dwindling revenues until the end of 2010. This assertion was also made by the David Nellor, IMF Resident Representative for Nigeria, during a meeting with the donor community in early March.

Comment  
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[1](#)3. (U) The ECA was established during the administration of former President Olusegun Obasanjo as savings for the rainy day, with specific emphasis to help flattening out revenue streams from the boom and burst cycle associated with volatile oil prices. The rainy day is already here and the ECA is being used. However, the critical issue is that the funds be used for strategic investment in infrastructure rather than consumption. Although the Government of Nigeria said repeatedly that the funds would be used for needed infrastructure in electricity and roads, that does not appear to be

happening as the funds appear to be going to support consumption and agricultural inputs such as fertilizers. End Comment.

[¶](#)4. This report was coordinated with Consulate Lagos.

SANDERS